

Message Text

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SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: A. STATE 165596; B. STOCKHOLM 1840; C. STOCKHOLM 5124;

D. STOCKHOLM A-150, 4/13/73; E. STOCKHOLM A-322, 7/31/73

1. SUMMARY. SWEDISH POLICY IS LIBERAL TOWARD INWARD FOREIGN INVESTMENT AND THERE IS NO RESTRICTION ON REMITTANCE OF DIVIDENDS. DOMESTIC TAXES AND INVESTMENT INCENTIVES ARE APPLIED IN A NON-DISCRIMINATING MANNER. POTENTIAL TAKEOVER OF SWEDISH FIRMS BY FOREIGN TRANSNATIONAL COMPANIES IS A SUBJECT OF SENSITIVE PUBLIC CONCERN. THE GOVERNMENT NOW HAS AUTHORITY TO DENY APPROVAL OF ANY FOREIGN TAKEOVER OF EXISTING SWEDISH-OWNED FIRMS IF IT IS SHOWN TO BE "DETRIMENTAL TO NATIONAL INTEREST" AND, UNDER THE PROPOSED NEW CORPORATION ACT, REPORTING REQUIREMENTS IMPOSED ON FIRMS WILL BE TIGHTENED. AS

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SWEDISH OUTWARD INVESTMENT EXCEED INWARD INVESTMENT,

THE OFFICIAL GOVERNMENT POSITION IN INTERNATIONAL FORA IS SIMILAR TO OUR OWN. SWEDEN DESIRES MINIMUM RESTRICTIONS IMPOSED ON INVESTMENT CAPITAL. END SUMMARY.

2. TEXT OF STATEMENT ON INVESTMENT CLIMATE.

A. SWEDEN IS AN ADVANCED INDUSTRIALIZED COUNTRY WITH A HIGH LEVEL OF STANDARD OF LIVING, MODERN DISTRIBUTION SYSTEM, EXCELLENT INTERNAL AND EXTERNAL COMMUNICATIONS SYSTEM, AND A SKILLED AND INTELLIGENT LABOR FORCE. PRIVATELY-OWNED FIRMS ACCOUNT FOR ABOUT 90 PERCENT OF INDUSTRIAL OUTPUT.

B. OFFICIAL SWEDISH POLICY TOWARD INWARD FOREIGN INVESTMENT IS LIBERAL; IT NEITHER ENCOURAGES NOR DISCOURAGES SUCH INVESTMENT. CENTRAL BANK (RIKSBANK) APPROVAL IS REQUIRED TO IMPORT CAPITAL FOR ESTABLISHMENT OF A BUSINESS OR TO ACQUIRE SHARES IN AN EXISTING FIRM. APPROVAL IS USUALLY GRANTED WITHOUT DIFFICULTIES, EXCEPT IN CERTAIN BASIC FIELDS SUCH AS MINING, FORESTRY, BANKING, INSURANCE AND CREDIT INFORMATION, WHERE FOREIGN INVESTMENT IS EXCLUDED.

C. THERE IS NO RESTRICTION ON REMITTANCE OF DIVIDENT PAYMENTS TO NON-SWEDISH NATIONALS. REPATRIATION OF INVESTED CAPITAL, HOWEVER, REQUIRES CENTRAL BANK APPROVAL. PAYMENT OF ROYALTIES OR LICENSING FEES, IF PROVIDED FOR IN THE CONTRACT, IS PERMITTED FREELY.

D. CORPORATE INCOME TAX RATES ARE LOW BY INTERNATIONAL STANDARDS. THERE IS HOWEVER A PAYROLL TAX WHICH, TOGETHER WITH HEAVY FRINGE BENEFITS COSTS, AVERAGE ABOUT 30 PERCENT OF THE WAGE BILL. A BILATERAL TAX TREATY (LAW NO. 26 OF 1939, AS AMENDED IN OCTOBER 1963) FOR THE PREVENTION OF DOUBLE TAXATION IS IN EFFECT WITH THE UNITED STATES.

E. THE MOST IMPORTANT INVESTMENT INCENTIVE FOR FIRMS IS THE "INVESTMENT RESERVE FUNDS" SYSTEM, WHEREBY CORPORATIONS ARE PERMITTED TO DEPOSIT UP TO 40 PERCENT OF PROFITS IN AN INTEREST-FREE CENTRAL BANK ACCOUNT WITHOUT PAYING TAXES. THESE FUNDS ARE RELEASED BY THE GOVERNMENT TO THE DEPOSITORS FOR SPECIFIED INVESTMENT ACTIVITIES, OFTEN TIMED TO COUNTER DOWNWARD CYCLICAL TRENDS. SPECIAL INVESTMENT INCENTIVES ARE OFFERED BY THE CENTRAL GOVERNMENT, MUNICIPALITIES AND LOCAL GOVERNMENTS IN ECONOMICALLY DEPRESSED AREAS. THESE INCENTIVES ARE AVAILBLE TO DOMESTIC AND FOREIGN FIRMS INCORPORATED IN SWEDEN.

F. POTENTIAL TAKE-OVER OF EXISTING SWEDISH FIRMS BY
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FOREIGN TRANSNATIONAL COMPANIES IS A SUBJECT OF SENSITIVE PUBLIC CONCERN. TO MEET THESE CONCERNS AND TO EXERCISE SURVEILLANCE, THE GOVERNMENT NOW HAS AUTHORITY TO REJECT FOREIGN TAKE-OVER OF SWEDISH-OWNED FIRMS IF IT IS CONSIDERED "DETRIMENTAL TO THE NATIONAL INTEREST". ALSO, A NEW CORPORATION ACT HAS BEEN PROPOSED IN THE PARLIAMENT IMPOSING STRICTER REPORTING REQUIREMENTS ON ALL FIRMS, REGARDLESS OF OWNERSHIP.

G. THE ACTIVITIES OF EXISTING FOREIGN AND SWEDISH TRANS-NATIONAL FIRMS IN SWEDEN ARE BEING SUBJECTED TO CLOSER SCRUTINY, NOT TO MENTION CRITICISM, BY THE PUBLIC AND LABOR GROUPS. PUBLIC RELATIONS ACTIVITIES OF SUCH FIRMS, PARTICULARLY AS THEY RELATE TO ENVIRONMENT AND WORKING CONDITIONS, HAVE ASSUMED THEREFORE INCREASED IMPORTANCE IN THE CONTEXT OF TOTAL BUSINESS OPERATIONS. THE TENDENCY FOR THE MEDIA TO BE MORE CRITICAL OF FOREIGN VIS-A-VIS SWEDISH FIRMS IS A FACTOR TO BE CONSIDERED.

H. GOVERNMENT PROCUREMENT POLICY IN PRINCIPLE IS NON-DISCRIMINATORY. EXCEPTIONS TO THE PRINCIPLE DO OCCUR IN THE NUCLEAR POWER AND COMPUTER SECTORS AND SOMETIMES THROUGH RESTRICTED BIDDING PROCEDURES.

I. ANTITRUST LEGISLATION IN SWEDEN HAS BEEN IMPLEMENTED MORE LENIENTLY THAN IN THE UNITED STATES. FOR INTERNATIONAL COMPETITIVE REASONS AND TO MEET EMPLOYMENT DIFFICULTIES OF SMALLER FIRMS, THERE IS A TREND TOWARD MERGERS, PARTICULARLY IN HARD-PRESSED INDUSTRIES, E.G. SHIPBUILDING, TEXTILES, ETC.

J. DIRECT EXPORT SUBSIDIES DO NOT EXIST FOR INDUSTRIAL PRODUCTS. FOR AGRICULTURE, THERE ARE SUBSTANTIAL SUBSIDIES GIVEN TO PRODUCTION.

K. SINCE SWEDEN IS A MEMBER OF THE EUROPEAN FREE TRADE ASSOCIATION (EFTA) ITS INDUSTRIAL PRODUCTS MOVE DUTY-FREE AMONG PARTICIPATING COUNTRIES. MOST SWEDISH INDUSTRIAL GOODS TRADED WITH THE COUNTRIES OF THE EUROPEAN COMMUNITY WILL ALSO MOVE DUTY-FREE IN MID-1977, IN ACCORDANCE WITH AN AGREEMENT WHICH TOOK EFFECT JANUARY 1, 1973.

L. INWARD AS WELL AS OUTWARD INVESTMENT APPEARS TO HAVE INCREASED IN 1974, BASED ON GOVERNMENT PERMITS ISSUED. TOTAL CURRENT BOOK VALUE OF U.S. AND OTHER FOREIGN INVESTMENT IN SWEDEN IS NOT AVAILABLE. IN 1970, U.S. DIRECT INVESTMENT IN SWEDEN AMOUNTED TO \$847 MILLION

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3. STATISTICAL DATA OF INVESTMENTS IN SWEDEN ARE AVAILABLE ONLY FOR 1970 (SEE REF. D)

4. BECAUSE SWEDISH OUTWARD INVESTMENT EXCEEDS INWARD INVESTMENT, THE OFFICIAL GOVERNMENT POSITION IN INTERNATIONAL FORA IS SIMILAR TO OUR OWN. SWEDEN DESIRES MINIMUM RESTRICTIONS TO BE IMPOSED ON INVESTMENT CAPITAL.
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